

## **Health Care System and Health Care Security Board Summary of Meeting on November 22, 2002**

The Health Care System and Health Care Security Board met on Friday, November 22<sup>nd</sup> in Room 427, State House. Sen. Martin and Rep. Volenik chaired the meeting. The meeting was recorded for absent board members and also broadcast through the website. The summary from the October 28<sup>th</sup> meeting was approved.

### **Presentation of Preliminary Results by Mathematica**

The chairs welcomed its consultants, Deborah Chollet and Glen Mays of Mathematica Policy Research and Roland McDevitt of Watson Wyatt Worldwide, to present the preliminary results of the feasibility study. The chairs also thanked the team for their excellent work. Dr. Chollet pointed out the preliminary nature of the results and asked that the Board critique the assumptions in the model and identify areas for further analysis and sensitivity before the final results are presented in mid-December.

#### *Preliminary Findings*

Deborah Chollet outlined the preliminary findings from the model. Several of those findings are highlighted below:

- single-payer plan would provide coverage to 143,000 Mainers who would be uninsured in 2004 (11% of the population)
- single-payer plan (with universal coverage and standard benefit design) would increase total spending in 2004 by 12-16% over base case
- by 2008, the net costs of a single-payer plan declines to 5-9% above baseline
- consumers spend about 18% of total health care costs---under single-payer plan, those costs decline to 1-5% of total costs by 2008
- net of baseline public-sector spending, a single-payer plan must finance 49-55% of total health care costs in 2004---by 2008, the net financing declines to 46-52% of total health care costs
- financing of single-payer system would likely require a diversified financing strategy and probable reliance on a payroll tax
- single-payer system would generate job growth in health care delivery sector and a small net decline in administrative jobs related to current private sector system---with direct and indirect effect, system could increase employment by as much as 5,000 jobs

#### *Critical Assumptions*

Glen Mays provided an overview of the critical assumptions that were made in the model relating to health care costs and administrative costs. Going forward, Mathematica assumed no changes or erosions in coverage for the base case (status quo) scenario in 2004 and 2008. For changes or growth in underlying health care costs, the short-term growth was assumed to be 13-14% in the private sector and 3.2-5.0% in the public sector. Initial reaction from the Board was that those estimates appeared too low for Maine. The Board asked Mathematica to take a second look at those numbers. With regard to administrative cost assumptions, Mathematica assumed that in the base case, administrative costs were 12-22% for groups and 30% for individuals in private sector plans; 5-6.4% for MaineCare; and 2.1% for Medicare. For hospitals, it was assumed administrative costs were 33.4%. For providers (physicians, nurses and other professionals), the assumption for administrative costs was 32%. Under the single-payer plan scenarios,

Mathematica assumed 5% for administrative costs of plan administration. For hospital and providers costs of administration under a single-payer plan, Mathematica assumed a 15% reduction in costs for hospitals and a 25% reduction for providers. Again, some Board members thought the administrative cost assumptions needed further analysis.

Mathematica also assumed federal maintenance of effort (continued funding) for Medicare, MaineCare, CHAMPUS and federal employees and State maintenance of effort. They also assumed that State and local governments would maintain their financial obligations for health care for their employees.

Copies of the slide presentation made by Mathematica on the preliminary results will be made available on the Board's website: [www.state.me.us/legis/opla/hsboard.htm](http://www.state.me.us/legis/opla/hsboard.htm). For copies of the draft report, please contact Board staff, Colleen McCarthy Reid; electronic copies are not available at this time.

### **Discussion/Critique of Preliminary Report**

The Board briefly discussed its process for going forward. Several members of the Board stressed that the results from Mathematica are preliminary and should be carefully considered in that context. In response to the preliminary report, the Board identified several areas for follow up by Mathematica with sensitivity analyses:

- assume primary case management as part of the Medicaid benefit package
- consideration of adjustments to health care cost and administrative cost assumptions
- update figures for Medicaid and Cub Care eligible individuals
- update figures for revenue and economic trends from most recent decisions of Economic Forecasting Commission; and
- assume no increase or change in property taxes in financing/revenue module.

For the next meeting, the chairs asked Mathematica to provide, if possible, revised tables that reflect these sensitivity analyses.

Board member Victoria Kuhn asked the chairs if a technical session between Mathematica and interested parties and other stakeholders was possible to clarify the use and definition of terms in the draft report and to clarify other technical issues related to the model developed by Mathematica. After some discussion, the chairs advised that there would be an opportunity for interested parties to ask technical questions during the next meeting; a more formal opportunity for public comment and testimony will be provided at a later date. Mathematica will be available by conference call to answer those questions. In addition, Mathematica will provide a glossary of terms in the final report.

The Board also asked Mathematica to suggest options for governance and administration of a single-payer system for the Board's consideration. These issues, along with benefit design and financing, are important elements for the development of the Board's recommendations to the Legislature.

Finally, the Board continued its discussion of the process for public input and comment before making its report to the Legislature. While the Board has received an extension to January 15, 2003 from the Legislative Council, several members believe that is not adequate time to consider the results of the Mathematica study and to develop recommendations to the Legislature. Further, the Department of Human Services and the Muskie School is directing a year-long health planning effort with a grant from HRSA; Mathematica has been selected as a consultant for additional econometric modeling under that grant. These

efforts, including a survey of Maine households, may inform and enhance the Board's own work. The Board will request an additional extension to April 15, 2003 from the Legislative Council, or, in the alternative, submit legislation, to extend its reporting deadline to the 121<sup>st</sup> Legislature.

### **Next Meeting**

The next meeting of the Board will be held on Monday, December 2<sup>nd</sup> from 9:30 am until 3:00 pm in Room 427 State House, Augusta. The Board will continue discussion of the preliminary report. The meeting will also include a conference call with Mathematica and opportunity for the Board and interested parties to ask technical questions relating to the preliminary report. The meeting will be "web-cast" so that members of the public can listen to the audio of the meeting off-site.

### **Future Meeting**

The Board also plans to meet on Wednesday, December 18<sup>th</sup> from 9:30 am until 3:00 pm in Room 427 State House, Augusta. At that meeting, Mathematica will present its final report and results to the Board.